COUNTRY GARDEN HOLDINGS COMPANY LIMITED
碧 桂 園 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2007)

ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

Total revenue for the six months ended 30 June 2010 amounted to approximately RMB11,765.7 million, an increase of approximately 27.8% compared with the corresponding period of 2009.

Profit attributable to equity owners amounted to approximately RMB1,763.5 million, a decrease of approximately 4.8% compared with the corresponding period of 2009. (The adjusted profit attributable to equity owners for the six months ended 30 June 2010 would have been approximately RMB1,918.9 million, and for the corresponding period of 2009 would have been approximately RMB1,420.2 million, should the fair value change of the Equity Swap and gain from partial repurchase of convertible bond be excluded, an increase of approximately 35.1%.)

Available cash (including cash and restricted presale proceeds) increased from approximately RMB6,428.9 million at the end of 2009 to approximately RMB8,448.2 million as of 30 June 2010.

Net gearing ratio decreased from approximately 52.7% at the end of 2009 to approximately 48.1% as of 30 June 2010.

Earnings per share amounted to approximately RMB10.72 cents, a decrease of approximately 5.6% compared with approximately RMB11.36 cents of the corresponding period of 2009. (The adjusted earnings per share for the six months ended 30 June 2010 would have been approximately RMB11.66 cents, and for the corresponding period of 2009 would have been approximately RMB8.71 cents, should the fair value change of the Equity Swap and gain from partial repurchase of convertible bond be excluded, an increase of approximately 33.9%.)

The Board did not recommend payment of interim dividend.

The board of directors (the "Board") of Country Garden Holdings Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group's total revenue and gross profit reached approximately RMB11,766 million and RMB3,989 million respectively. Profit attributable to equity owners amounted to approximately RMB1,763 million (if excluding the fair value loss on equity swap of approximately RMB191 million and gain on repurchase of the convertible bond of approximately RMB35 million, the profit attributable to equity owners would have been approximately RMB1,919 million). The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2010.

The Group's property development and sales progress during the first half of 2010 have been in line with the target set at the beginning of the year. For the six months ended 30 June 2010, the Group achieved contracted sales of approximately RMB13.2 billion, contract sales gross floor area ("GFA") of approximately 2.42 million sq.m., representing an increase of about 50% and 26%, respectively, as compared with those of the same period last year. The Group had 5 new projects launched for pre-sales over the first half of this year, which recorded total contracted sales of approximately RMB1.6 billion. These new projects received extensive recognition from buyers of different regions. For instance, Country Garden — Grand Garden, located in Zengcheng Guangzhou, was launched during the 2010 Lunar New Year. The initial launch of 439 units was completely sold out in the first two days at a transaction amount of approximately RMB560 million. Cumulative contracted sales amount of this project up to July 2010 has exceeded RMB1 billion. In addition, Tianjin Country Garden was launched for pre-sales in July this year, which received overwhelming response from local buyers. In less than one month after two batches of initial launch, this project recorded transaction amount of approximately RMB700 million.

The Group continued to achieve strong results in Guangdong Province, its core market, during the first half, which accounted for around 72% of the Group's total contracted sales. Moreover, with the delivery phases gradually reached for the new projects outside Guangdong, and the improvement in these new projects' surrounding environment and ancillary facilities over the past two years, the recognition of Country Garden's brand name has been further enhanced across these new regions outside Guangdong. This will not only be able to boost the revenue growth of these new projects, but will also lay a solid foundation for the long term development of the Group.

The encouraging and gradually growing of contract sales during the period under review further evaluates and proves the strong replication capability and sustainability of Country Garden's business model, which is to provide large quantities of quality residential properties to the society and the general public at affordable prices. This helps develop quality residential communities with high accessibility and comprehensive ancillary facilities for a greater number of home buyers.

As at 30 June 2010, the Group has 78 projects under different stages of development, including 48 in Guangdong. Attributable GFA with land use right certificates was approximately 42.85 million sq.m. (46% in Guangdong), among which attributable GFA with construction permits was around 14.15 million sq.m.

Alongside the continuous expansion in property development and sales, the Group's hotel business broadens its recurring income stream from non-residential developments, diversifying the Group's property income portfolio. Hotel revenue in the first half of 2010 amounted to approximately RMB204 million, representing a year-on-year growth of about 52%. As at 30 June 2010, the Group operates 4 five-star hotels, 7 five-star standard hotels, as well as 1 four-star hotel, with a total of 3,654 guest rooms. Most of the Group's hotels are located within the Group's property projects. The development of five-star standard hotels in the property projects will assist in sales promotion and enhance the ancillary value of the projects. The Group has signed hotel management contract or memorandum with a few high caliber international hotel management firms aiming at further unlocking the long-term value potential of the hotel business segment.

Overall, the Group is seeing encouraging improvements in many aspects of the operation as a result of over a year of continuous reform measures, especially reforms in evaluating the changing demand of customers, adopting more stringent quality control of its products as well as encouraging product design innovations has resulted in growing demand of the Group's new high value-for-money residential products, which further accelerated the Group's cash inflow. Moreover, the corporate initiatives on project management on the basis of strengthening execution and the establishment of an effective incentive mechanism has also shown positive effects, resulting in further enhancement of development efficiency for new projects. At the same time, the Group continues to adopt stringent cost control measures over development and operation. With regard to financial management, the Group actively explored various funding channels in the capital market in addition to its strong bank financing capabilities with major commercial banks. In April 2010, the Group successfully issued senior notes with a 7-year tenure in an aggregate amount of USD550 million, to refinance the USD600 million due 2013 convertible bond ("CB"). As of today, the Group has repurchased in aggregate about 54.15% of the CB principal. Furthermore, the Group re-entered the capital market in August 2010 with another new issue of USD400 million 5-year tenure senior notes at a lower coupon than the April issuance, to refinance the outstanding CB. The successful issue of the senior notes, with both senior notes well oversubscribed, reflected investors' confidence in the Group's business model and financial strength, and the repurchase of CB demonstrated the Group's proactive and prudent financial management.

The Group had a change in president in July 2010. Mr. CUI Jianbo has resigned as the president of the Group and remains as an executive director of the Group. The Board would like to take this opportunity to recognise the efforts and contributions made by Mr. CUI for the development of the Group during his tenure as the president. The Board would like to express its sincere gratitude to Mr. CUI and believes that Mr. CUI will continue to assist the Group to achieve better results. Mr. MO Bin has been appointed as the president and an executive director of the Group. Mr. MO is primarily responsible for the management of daily operation and general administration of the Group. Mr. MO graduated from Hengyang Institute of Technology (currently known as University of South China) with an undergraduate degree in industrial and civil architecture, obtained his postgraduate degree from Zhongnan University of Economics and Law and is a professor-grade senior engineer. Prior to joining the Group, Mr. MO was employed by China Construction Fifth Engineering Division Corp., Ltd., in a number of senior positions since 1989, most recently as director and general manager. Mr. MO has over 20-years vast experience in a number of areas including property development, construction business, construction management, marketing, cost control and corporate management. Mr. MO is going to assist the Board to lead Country Garden into the next phase of growth.

With the continuous development of the Chinese economy, the entire management team and all staff members of Country Garden are strongly confident in the Group's ability to overcome future challenges. The Group will continue to strategically select and develop property projects that are in line with national development strategies and macro economic environment. We are committed to offering value-for-money property products, creating value for the society and generating satisfactory returns for our shareholders.

CONSOLIDATED INTERIM BALANCE SHEET

	Note	**Unaudited 30 June 2010** *RMB'000*	Restated 31 December 2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,399,773**	3,878,360
Investment property		**137,443**	141,231
Intangible assets		**14,058**	13,425
Land use rights		**1,106,575**	1,101,968
Properties under development		**15,911,651**	13,195,329
Investment in an associate	4	**216,889**	—
Deferred income tax assets		**829,775**	892,895
Other assets	4	**—**	2,040,000
		22,616,164	21,263,208
Current assets			
Properties under development		**23,221,527**	20,247,069
Completed properties held for sale		**5,906,435**	5,107,707
Inventories		**251,038**	329,356
Trade and other receivables	5	**7,312,290**	7,058,467
Prepaid taxes		**1,710,504**	1,509,939
Restricted cash		**3,737,789**	3,815,334
Cash and cash equivalents		**6,408,087**	4,608,708
		48,547,670	42,676,580
Total assets		**71,163,834**	63,939,788
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	6	**14,925,651**	14,925,651
Other reserves		**818,272**	1,093,181
Retained earnings			
— proposed final dividend		**—**	740,320
— others		**6,174,407**	4,410,912
		21,918,330	21,170,064
Non-controlling interests		**563,477**	370,858
Total equity		**22,481,807**	21,540,922

	Note	**Unaudited 30 June 2010** *RMB'000*	Restated 31 December 2009 *RMB'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**8,002,498**	7,638,003
Convertible bond	7	**2,062,222**	4,278,511
Senior notes	8	**6,302,203**	2,602,423
Deferred government grants		**107,780**	107,780
Derivative financial instruments	10	**1,180,727**	990,124
Deferred income tax liabilities		**387,411**	383,413
		18,042,841	16,000,254
Current liabilities			
Advanced proceeds received from customers		**17,299,200**	14,039,707
Trade and other payables	9	**6,739,590**	6,563,231
Dividend payable		**740,320**	—
Income tax payable		**3,228,698**	2,545,013
Bank borrowings		**2,631,378**	3,250,661
		30,639,186	26,398,612
Total liabilities		**48,682,027**	42,398,866
Total equity and liabilities		**71,163,834**	63,939,788
Net current assets		**17,908,484**	16,277,968
Total assets less current liabilities		**40,524,648**	37,541,176

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Six months ended 30 June 2010 RMB'000	Restated 2009 RMB'000
Revenue	3	**11,765,702**	9,202,812
Cost of sales	12	**(7,776,510)**	(6,304,151)
Gross profit		**3,989,192**	2,898,661
Other gains — net	11	**37,974**	12,525
Selling and marketing costs	12	**(276,216)**	(106,699)
Administrative expenses	12	**(361,589)**	(319,842)
Operating profit		**3,389,361**	2,484,645
Finance income		**47,814**	19,889
Finance costs		**(158,730)**	(409,880)
Finance costs — net	13	**(110,916)**	(389,991)
Share of loss of an associate		**(711)**	—
Fair value changes on derivative financial instruments		**(190,603)**	431,838
Profit before income tax		**3,087,131**	2,526,492
Income tax expense	14	**(1,278,617)**	(649,211)
Profit and total comprehensive income for the period		**1,808,514**	1,877,281
Profit and total comprehensive income attributable to:			
— Equity holders of the Company		**1,763,495**	1,851,991
— Non-controlling interests		**45,019**	25,290
		1,808,514	1,877,281
Earnings per share attributable to the equity holders of the Company (RMB cents)			
Basic and diluted	15	**10.72**	11.36

	Note	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Dividends	16	**—**	—

SELECTED NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Country Garden Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 10 November 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The Company is engaged in investment holding and its subsidiaries were principally engaged in the property development, construction, fitting and decoration, property management and hotel operation.

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 April 2007.

This interim financial information is presented in units of Renminbi ("RMB") thousand Yuan, unless otherwise stated, and was approved by the Board for issue on 24 August 2010.

This interim financial information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This interim financial information for the six months ended 30 June 2010 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, 'Interim Financial Reporting'. The interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(i) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Interest in associates are accounted for by using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in accounting policies

During the period, the Group changed its accounting policy for land use rights which is held for development and subsequent sale. Land use rights which are held for development and subsequent sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land under HKAS 17 "Leases". Previously, land use rights held for development and subsequent sale were classified as prepaid operating leases and payments were amortised on a straight line basis over the period of the lease in accordance with HKAS 17. Amortisation of leasehold land during the development phase was capitalised as part of the construction costs of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in profit or loss. Subsequent to the change in accounting policy, land use rights which is held for development and subsequent sale are classified as inventories and included in "properties under development" or "completed properties held for sales" in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of land use rights results in a more relevant presentation of the financial position of the Group, and of its performance for the period. The revised treatment reflects management's intention regarding the use of the land use rights and results in a presentation consistent with the industry practices.

The change in accounting policy has been accounted for retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the consolidated financial statements have been restated by reversing the amortisation charged in prior years. The effect on the consolidated financial statements is as follows:

	As at 30 June 2010	As at 31 December 2009
	RMB'000	*RMB'000*
Increase in completed properties held for sale	**1,252,285**	942,042
Increase in properties under development — current	**6,583,922**	5,222,742
Increase in properties under development — non-current	**10,571,395**	9,250,011
Decrease in land use right — current	**(7,823,650)**	(6,145,479)
Decrease in land use right — non-current	**(10,181,710)**	(8,956,706)
Decrease in deferred tax assets	**(93,770)**	(71,362)
Increase in retained earnings	**(308,472)**	(241,248)

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Increase in cost of sales	**6,748**	28,127
Decrease in administrative expenses	**(96,380)**	(73,903)
Increase in income tax expenses	**22,408**	10,131
Increase in net profit attributable to the equity holders of the Company	**67,224**	35,645
Increase in earnings per share (basic and diluted)	**RMB0.41 cents**	RMB0.22 cents

(iii) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- HKAS 1 (amendment), 'Current/non-current classification of convertible instruments' is effective and applied retrospectively for periods beginning on or after 1 January 2010. Regarding the liability component of convertible instruments, it clarifies that the holder's option which will result in the settlement by the issuance of equity instruments, is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- HKAS 17 (amendment), Classification of leases of land and buildings (Consequential amendment to HK-Int 4, Leases — Determination of the length of lease term in respect of Hong Kong land leases) is effective and applied retrospectively for periods beginning on or after 1 January 2010. Specific guidance regarding classification of leases of land is deleted, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of HKAS 17.

The adoption of the above standards and amendments did not have any material impact on the Group's financial statements.

(iv) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC)–Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRSs preparer.

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- First improvements to HKFRSs (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to HKFRSs (2009) were issued in May 2009 by the HKICPA. All improvements except for HKAS 1 (amendment) and HKAS 17 (amendment) are not relevant to the Group.

(v) ***The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:***

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. This new standard is not expected to have a material impact on the Group's financial statements.

- HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. This revised standard is not expected to have a material impact on the Group's financial statements.

- Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted. This new amendment is not expected to have a material impact on the Group's financial statements.

- HK(IFRIC)–Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. This new interpretation is not expected to have a material impact on the Group's financial statements.

- Third improvements to HKFRSs (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year of 2011. The Group is currently in the process of assessing the impact of these improvements on the Group's financial statements.

3 REVENUE AND SEGMENT INFORMATION

The executive directors of the Company (the "ED") reviews the Group's internal reporting in order to assess performance and allocate resources. The ED has determined the operating segments based on these reports.

The ED considers the business from product perspective. From a product perspective, management assesses the performance of:

- Property development,

- Construction, fitting and decoration,

- Property management and

- Hotel operation.

The ED assesses the performance of the operating segments based on a measure of operating profit.

Segment assets consist primarily of property, plant and equipment, intangible assets, land use rights, investment property, properties under development, completed properties held for sale, inventories, receivables and operating cash. They exclude deferred tax assets and collateral for equity swap. Segment liabilities consist primarily of operating liabilities. They exclude bank borrowings, convertible bond, senior notes, derivative financial instruments, deferred income tax liabilities and income tax payable.

Revenue consists of the following:

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Sales of properties	**11,179,125**	8,648,349
Rendering of construction and decoration services	**186,099**	258,233
Rendering of property management services	**196,739**	162,013
Rendering of hotel services	**203,739**	134,217
	11,765,702	9,202,812

Sales between segments are carried out according to the terms and conditions agreed by both parties.

Over 90% of the Group's revenue is attributable to the market in Mainland China and over 90% of the Group's non-current assets are located in Mainland China. No geographical information is presented.

The Group has a number of customers. No revenue from a customer exceeds 10% or more of the Group's revenue.

The segment information provided to the ED for the reportable segments for the six months ended 30 June 2010 is as follows:

	Property development *RMB'000*	**Construction, fitting and decoration** *RMB'000*	**Property management** *RMB'000*	**Hotel** *RMB'000*	**Group** *RMB'000*
Six months ended 30 June 2010					
Total revenue	**11,179,125**	**3,016,798**	**196,992**	**203,739**	**14,596,654**
Inter-segment revenue	**—**	**(2,830,699)**	**(253)**	**—**	**(2,830,952)**
Revenue (from external customers)	**11,179,125**	**186,099**	**196,739**	**203,739**	**11,765,702**
Operating profit	**3,406,585**	**13,615**	**35,640**	**(66,479)**	**3,389,361**
At 30 June 2010					
Total segment assets	**61,803,908**	**1,950,322**	**254,131**	**4,627,973**	**68,636,334**
Capital expenditure	**91,447**	**9,977**	**2,027**	**576,780**	**680,231**
Total segment liabilities	**21,649,507**	**2,119,042**	**319,219**	**799,122**	**24,886,890**

The segment information provided to the ED for the reportable segments for the six months ended 30 June 2009 is as follows:

	Property development *RMB'000*	Construction, fitting and decoration *RMB'000*	Property management *RMB'000*	Hotel *RMB'000*	Group *RMB'000*
Six months ended 30 June 2009					
Total revenue	8,648,349	1,576,827	165,275	134,291	10,524,742
Inter-segment revenue	—	(1,318,594)	(3,262)	(74)	(1,321,930)
Revenue (from external customers)	8,648,349	258,233	162,013	134,217	9,202,812
Operating profit	2,442,040	69,466	19,769	(46,630)	2,484,645
At 31 December 2009					
Total segment assets	55,245,770	1,621,345	226,281	4,246,447	61,339,843
Capital expenditure	230,370	18,118	1,097	1,031,613	1,281,198
Total segment liabilities	18,175,003	1,893,211	183,031	459,473	20,710,718

Reportable operating profits are reconciled to profit for the period as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Total operating profit	**3,389,361**	2,484,645
Financial costs — net	**(110,916)**	(389,991)
Share of loss of an associate	**(711)**	—
Fair value changes on derivative financial instruments	**(190,603)**	431,838
Profit before income tax	**3,087,131**	2,526,492
Income tax expense	**(1,278,617)**	(649,211)
Profit for the period	**1,808,514**	1,877,281

Reportable segments' assets and liabilities are reconciled to total assets and total liabilities is as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Total segment assets	**68,636,334**	61,339,843
Deferred income tax assets	**829,775**	892,895
Collateral for equity swap	**1,697,725**	1,707,050
Total assets per balance sheet	**71,163,834**	63,939,788
Total segment liabilities	**24,886,890**	20,710,718
Deferred income tax liabilities	**387,411**	383,413
Income tax payable	**3,228,698**	2,545,013
Derivative financial instruments	**1,180,727**	990,124
Bank borrowings	**10,633,876**	10,888,664
Convertible bond	**2,062,222**	4,278,511
Senior notes	**6,302,203**	2,602,423
Total liabilities per balance sheet	**48,682,027**	42,398,866

4 INVESTMENT IN AN ASSOCIATE

	RMB'000
At 1 January 2010	—
Capital injection	217,600
Share of post-acquisition results	(711)
At 30 June 2010	216,889

In April 2010, the Group together with two PRC real estate developers jointly established Li He Property Development Company Limited ("Li He") as the project company to develop a piece of land located in Guangzhou ("Asian Games City"). The Group holds 33% equity interest in Li He and as of 30 June 2010, the Group has made capital injection of HK$247,500,000 (equivalent to RMB217,600,000) to Li He.

Subsequent to the establishment of Li He in April 2010, the Group together with two PRC real estate developers entered into a revised land purchase agreement with the local government authorities, pursuant to which, the entire Asian Game City project was transferred to Li He and Li He assumed all rights and obligations in relation to the Asian Games City project. Accordingly, the land instalment in relation to the Asian Games City made by the Group in 2009 totaling RMB2,040,000,000 was reclassified from "other non-current assets" to "trade and other receivables" (note 5).

On 24 June 2010, the Group entered into agreements with other two PRC real estate developers to transfer its 13% equity interest in Li He to them. As of the date of this announcement, the above transfer has not been completed.

The Group's share of the results of its associate, which is unlisted, and its aggregated assets and liabilities, are as follows:

Name	Country of incorporation	Principal activities	Assets	Liabilities	Revenues	Loss	% interest held
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Li He	PRC	Property Development	4,223,300	4,006,411	—	711	33%

5 TRADE AND OTHER RECEIVABLES

	As at **30 June 2010** *RMB'000*	31 December 2009 *RMB'000*
Trade receivables (note (a))	**324,747**	383,470
Land auction deposits	**717,463**	1,144,818
Other receivables	**531,725**	589,329
Amount due from an associate (note 4)	**1,582,400**	—
Amounts due from customers for contract work (note (b))	**341,377**	236,203
Prepayments for land (note (c))	**2,734,290**	4,096,587
Other prepayments — third parties	**1,083,245**	611,017
Less: Provision for impairment of receivables	**(2,957)**	(2,957)
	7,312,290	7,058,467

Amount due from an associate is unsecured, non-interest bearing and with no fixed repayment terms and repayable on demand.

As at 30 June 2010, the fair value of trade and other receivables approximates their carrying amounts.

Notes:

(a) Trade receivables are mainly arisen from rendering of construction services, property management and sales of properties. Customers are generally granted credit terms of 1 to 3 months for construction business and no credit terms for property development and property management businesses. The ageing analysis of trade receivables was as follows:

	As at **30 June 2010** *RMB'000*	31 December 2009 *RMB'000*
Within 90 days	**196,667**	317,034
Over 90 days and within 180 days	**74,470**	33,800
Over 180 days and within 365 days	**31,945**	17,848
Over 365 days	**21,665**	14,788
	324,747	383,470

(b) Amounts due from customers for contract work at the balance sheet date were as follows:

	As at	
	30 June	31 December
	2010	2009
	RMB'000	*RMB'000*
Cost incurred	**3,829,602**	3,648,369
Recognised profits (less recognised losses)	**1,652,667**	1,647,801
	5,482,269	5,296,170
Less: progress billings	**(5,140,892)**	(5,059,967)
	341,377	236,203
Represented by:		
Amounts due from customers	**341,377**	236,203
Including: Related companies	**304,699**	175,110
Third parties	**36,678**	61,093

(c) Prepayments for land are related to acquisition of land use rights upon successfully bidding at the land auctions conducted by the PRC government. The relevant land use right certificates have not been obtained at 30 June 2010.

6 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Treasury Shares	Total
		HK$000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Authorised ordinary share of HK$0.10 each at 31 December 2009 and 30 June 2010	100,000,000,000	10,000,000	9,905,008	—	—	9,905,008
Issued and fully paid						
Opening balance at 1 January 2009	16,360,000,000	1,636,000	1,617,773	13,371,866	(303,065)	14,686,574
Treasury shares purchased	—	—	—	—	(1,850)	(1,850)
Closing balance at 30 June 2009	16,360,000,000	1,636,000	1,617,773	13,371,866	(304,915)	14,684,724
Balance at 1 January 2010 and 30 June 2010	16,451,419,578	1,645,142	1,625,831	13,663,559	(363,739)	14,925,651

7 CONVERTIBLE BOND

In 2008, the Company issued a RMB denominated USD settled 2.5% convertible bond (the "Bond") due 2013, of an initial principal amount of US$600 million (equivalent to approximately RMB4,314 million). At the option of bond holders, the aggregate amount of RMB4,314 million will be convertible into fully paid shares with a par value of HK$0.1 each of the Company. The values of the liability component of RMB3,781.3 million and the equity conversion component of RMB424.8 million, net of transaction cost of RMB107.9 million, were determined at issuance of the Bond.

The Bond matures in five years (February 2013) from the issue date at 121.306% of the nominal value or can be converted into ordinary shares of the Company on or after 3 April 2008 at contracted price (the initial conversion price is HK$9.05 per share) at a fixed exchange rate of RMB0.922 to HK$1.

Also, at the option of the bond holders, the Company will redeem some or all of the Bond on 22 February 2011 at the U.S. dollar equivalent of their principal amount in RMB multiplied by 111.997%, together with accrued but unpaid interest to the date of redemption.

The fair value of the liability component included in long-term borrowings was calculated using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the Bond. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in other reserves.

As of 30 June 2010, the Company has repurchased the Bond totaling approximately RMB2,301 million out of the total principal amount of RMB4,314 million using the net proceeds from the issue of the 2017 Notes (note 8) (the "Repurchase").

The total consideration (including transaction costs) paid to repurchase the Bond is allocated to liability and equity components at the date of repurchase. The difference between the consideration allocated to the liability component and its carrying value at the date of repurchase is recognised in profit or loss. The amount of consideration relating to the equity component is recognised in equity.

The Repurchase resulted in a gain of approximately RMB35,181,000 and a decrease of RMB274,909,000 in the conversion option reserve.

The Bond recognised in the balance sheet is calculated as follows:

	RMB'000
Face value of the convertible bond on issue	**4,314,000**
Equity component	**(424,821)**
Transaction costs	**(107,850)**
Liability component on initial recognition	**3,781,329**
Interest expenses	**658,957**
Coupon paid	**(161,775)**
Liability component at 31 December 2009	**4,278,511**
Interest expenses (note 13)	**176,676**
Coupon paid	**(53,925)**
Repurchase	**(2,339,040)**
Liability component at 30 June 2010	**2,062,222**

Interest expenses on the liability component of the Bond are calculated using the effective interest method, applying the effective interest rate of 9.24% p.a. to the liability component.

Up to 30 June 2010, there was no conversion of the Bond.

8 SENIOR NOTES

On 2 September 2009, the Company issued senior notes in an aggregate principal amount of US$300,000,000. On 16 September 2009, the Company made an additional issue of senior notes in an aggregated principal amount of US$75,000,000 (collectively the "2014 Notes"). The 2014 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2014 Notes carry interest at the rate of 11.75% per annum, payable semi-annually on March 10 and September 10 in arrears, and will mature on 10 September 2014, unless redeemed earlier.

At any time, the Company may at its option redeem the 2014 Notes, in whole or in part, at a redeem price equal to 100% of the principal amount of the 2014 Notes plus certain premium as of, and accrued and unpaid interest, if any, to the redeem date.

At any time and from time to time prior to 10 September 2012, the Company may redeem up to 35% of the aggregate principal amount of the 2014 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redeem price of 111.75% of the principal amount of the 2014 Notes, plus accrued and unpaid interest, if any, to (but not including) the redeem date.

On 15 April 2010, the Company issued senior notes in an aggregate principal amount of US$550,000,000 (the "2017 Notes"). The 2017 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 Notes carry interest at the rate of 11.25% per annum, payable semi-annually on April 22 and October 22 in arrears, and will mature on 22 April 2017, unless redeemed earlier.

At any time and from time to time on or after 22 April 2014, the Company may redeem the 2017 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest to (but not including) the redemption date if redeemed during the twelve month period beginning on 22 April of each of the years indicated below.

Period	**Redemption price**
2014	105.625%
2015	102.8125%
2016 and thereafter	100.00%

At any time prior to 22 April 2014, the Company may at its option redeem the 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. The Company will give not less than 30 days' nor more than 60 days' notice of any redemption.

At any time and from time to time prior to 22 April 2013, the Company may redeem up to 35% of the aggregate principal amount of the 2017 Notes with the proceeds from sales of certain kinds of the Company's capital stock at a redemption price of 111.25% of the principal amount of the 2017 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2017 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sale of the Company's capital stock and subject to certain conditions.

The 2014 Notes and 2017 Notes contain a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

    The interest charged for the period is calculated by applying an effective interest rate of approximately 12.11% per annum and 11.81% per annum to the liability component of the 2014 Notes and 2017 Notes, respectively, since they were issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 30 June 2010.

The 2014 Notes and 2017 Notes recognised in the balance sheet were calculated as follows:

	RMB'000
Carrying amount as at 1 January 2010	**2,602,423**
Addition	**3,657,203**
Exchange gains	**(29,439)**
Interest expenses (note 13)	**222,463**
Coupon paid	**(150,447)**
Carrying amount as at 30 June 2010	**6,302,203**

9 TRADE AND OTHER PAYABLES

	As at 30 June 2010 RMB'000	31 December 2009 RMB'000
Trade payables (note)	**5,078,172**	4,170,017
Other payables — third parties	**1,056,513**	1,652,528
Other taxes payable	**198,727**	283,111
Staff welfare benefit payable	**303,512**	409,546
Accrued expenses	**102,666**	48,029
	6,739,590	6,563,231

Note:

The ageing analysis of trade payables at the balance sheet dates is as follows:

	As at 30 June 2010 RMB'000	31 December 2009 RMB'000
Within 90 days	**4,862,812**	3,948,097
Over 90 days and within 180 days	**81,730**	94,430
Over 180 days and within 365 days	**78,274**	57,531
Over 365 days	**55,356**	69,959
	5,078,172	4,170,017

10 DERIVATIVE FINANCIAL INSTRUMENTS

Upon the issue of the Bond as disclosed in note 7, the Company entered into a cash settled equity swap transaction (the "Equity Swap") for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million) on 22 February 2008. Under the Equity Swap, the Company will either receive a payment from or settle a payment to Merrill Lynch International if the final price is higher or lower than the initial price upon termination of the Equity Swap. The initial price was determined in accordance with the formula as set out in the Equity Swap contract, and the final price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates upon termination of the Equity Swap. Besides, the termination date of the Equity Swap will be determined based on the earlier of 2013 or a date when certain conditions as stipulated in the Equity Swap contract are fulfilled.

According to the equity swap transactions entered with Merrill Lynch International, Merrill Lynch International would pay the Company an amount equivalent to the number of shares under equity swap multiplied by the dividend per Company's share as a return of the Equity Swap.

Derivative financial instruments liabilities as at balance sheet date are as follows:

	As at 30 June 2010 RMB'000	31 December 2009 RMB'000
Equity Swap	**1,180,727**	990,124

The derivative financial instruments are classified as a non-current liability according to the terms defined in the agreement with Merrill Lynch International.

During the effective period of the Equity Swap, the Company has put up collateral in the amount of US$250 million (equivalent to approximately RMB1,698 million) (the "Collateral") to Merrill Lynch International. Prior the termination date of the Equity Swap, the change in fair value of the Equity Swap caused by fluctuation in the share price shall not pose any effect on the cash flow or normal operation of the Company.

As at the termination date of the Equity Swap, the maximum loss caused by the Equity Swap due to decrease in the share price shall not exceed the value of the Collateral, being US$250 million (equivalent to approximately RMB1,698 million).

11 OTHER GAINS — NET

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Forfeiture income	**6,429**	4,484
Gains on disposals of property, plant and equipment	**4,728**	3,279
Gain on repurchase of the Bond (note 7)	**35,181**	—
Return from Equity Swap	**12,918**	8,586
Others	**(21,282)**	(3,824)
	37,974	12,525

12 EXPENSES BY NATURE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Advertising costs	**111,570**	23,742
Amortisation of intangible assets	**2,528**	1,789
Business taxes and other levies	**709,351**	511,316
Costs of completed properties sold	**6,612,750**	5,404,969
Costs of materials	**297,022**	206,586
Donations	**13,353**	2,308
Depreciation	**129,441**	107,306
Employee benefit expenses	**360,006**	255,447
Land use rights amortisation	**14,476**	12,390
Surveillance charges	**10,765**	5,660
Rental expenses	**9,383**	5,653
Others	**143,670**	193,526
Total cost of sales, selling and marketing costs and administrative expenses	**8,414,315**	6,730,692

13 FINANCE COSTS — NET

	Six months ended 30 June 2010 *RMB'000*	2009 *RMB'000*
Interest expense:		
— bank borrowings	**253,385**	296,324
— the Bond	**176,676**	182,081
— senior notes	**222,463**	—
— less: interest capitalised	**(479,827)**	(69,178)
	172,697	409,227
Net foreign exchange (gain)/loss on financing activities	**(13,967)**	653
Total finance costs	**158,730**	409,880
Less: Bank interest income from bank deposits	**(47,814)**	(19,889)
	110,916	389,991

14 INCOME TAX EXPENSE

	Six months ended 30 June 2010 *RMB'000*	2009 *RMB'000*
Current income tax		
— PRC enterprise income tax (note (a))	**720,291**	348,625
— Hong Kong profits tax (note (b))	**—**	—
— Land appreciation tax (note (c))	**491,208**	154,396
Deferred income tax	**67,118**	146,190
	1,278,617	649,211

(a) PRC enterprise income tax is provided at the rate of 25% (2009: 25%) of the profits for the PRC statutory financial reporting purpose, adjusted for those items, which are not assessable or deductible for the PRC enterprise income tax purpose.

As approved by the local tax authority in August 2006, Giant Leap Construction Co., a subsidiary of the Group, has enjoyed a tax holiday of "two years exemption and followed by three years of a 50% tax reduction" since 2006. The preferential tax rate adopted by Giant Leap Construction Co., will also be gradually transited to the unified tax rate of 25% over a five-year transitional period. In light of the clarification for the transition to the new tax rate issued by the State Administration of Taxation issued on 6 December 2007, the Group estimated that the preferential tax rate adopted by Giant Leap Construction Co. will be expired at the shorter of the existing preferential tax period and the five-year transitional period.

Furthermore, in accordance with the PRC Enterprise Income Tax Law and the "Implementation Rules of the People's Republic of China on the Enterprise Income Tax Law" promulgated by the State Council on 6 December 2007 and effective 1 January 2008, an income tax rate of 10% shall be applicable to any dividends payable to non-PRC enterprise investors from foreign invested enterprises.

(b) No Hong Kong profits tax was provided for the six months ended 30 June 2010 as the Group did not have any assessable profit (2009: nil).

(c) PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

15 EARNINGS PER SHARE

Earnings per share attributable to equity holders of the Company as follows:

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares (note 6).

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company		
— Basic (RMB cents per share)	**10.72**	11.36
Weighted average number of ordinary shares in issue (thousands)	**16,451,420**	16,301,289

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's only dilutive potential ordinary share is the Bond. The Bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses. Since the impact of conversion of convertible bond on earnings per share is anti-dilutive for the period ended 30 June 2010 and 2009, diluted earnings per share equaled to basic earnings per share.

16 DIVIDENDS

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Proposed interim dividend (note a)	**—**	—

Note:

(a) The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2010.

(b) A final dividend in respect of 2009 of RMB4.5 cents per share, amounting to total dividends of approximately RMB740,320,000 has been declared in the Annual General Meeting on 20 May 2010. According to a script dividend scheme issued on 4 June 2010, shareholders may elect to receive cash dividend of RMB4.5 cents per share or an allotment of such number of new shares credited as fully paid and having an aggregate market value equal to, save for adjustment for fractions, the total amount of 2009 final dividend which such shareholder could receive in cash. On 2 July 2010, 247,718,465 new shares were issued as a result of the above scheme.

FINANCIAL REVIEW

Revenue

Revenue of the Group was primarily comprised of the proceeds from the sale of properties and provision of services after the elimination of transactions among subsidiaries of the Company. The revenue was primarily generated from its four business segments: property development, construction and decoration, property management and hotel operation. The revenue increased by 27.8% to approximately RMB11,765.7 million in the first half of 2010 from approximately RMB9,202.8 million for the corresponding period in 2009, primarily attributable to the increase in sales of property. The revenues generated from property development, construction and decoration, property management and hotel operation are RMB11,179.1 million, RMB186.1 million, RMB196.8 million and RMB203.7 million, respectively.

Property development

Revenue generated from property development increased by 29.3% to approximately RMB11,179.1 million for the six months ended 30 June 2010 from approximately RMB8,648.3 million for the corresponding period in 2009; primarily attributable to a 20.5% increase in total gross floor area ("GFA") sold to 2,095,233 sq.m in the first half of 2010 from 1,738,758 sq.m for the corresponding period in 2009. The recognized average selling price of property increased to RMB5,336 per sq.m in the first half of 2010 from RMB4,973 per sq.m for the corresponding period in 2009, which indicated a 7.3% increase.

Construction and decoration

Revenue generated from construction and decoration decreased by 27.9% to approximately RMB186.1 million for the six months ended 30 June 2010 from approximately RMB258.2 million for the corresponding period in 2009, primarily attributable to a decrease in the volume of construction and decoration services rendered to Qingyuan Country Garden Property Development Co., Ltd., a related party of the Group.

Property management

Revenue generated from property management increased by 21.5% to approximately RMB196.8 million for the six months ended 30 June 2010 from approximately RMB162.0 million for the corresponding period in 2009, primarily attributable to an increase in the cumulative GFA under management resulting from the construction completion and delivery of properties such as Country Garden Phoenix City, Gaoming Country Garden, Changsha Country Garden, Shaoguan Country Garden in the second half year of 2009 and the first half year of 2010.

Hotel operation

Revenue generated from hotel operation increased by 51.7% to approximately RMB203.7 million for the six months ended 30 June 2010 from approximately RMB134.3 million for the corresponding period in 2009, primarily attributable to the opening of the five-star rating standard Gaoming Country Garden Phoenix Hotel in October 2009 and Country Garden Phoenix Hot Spring Hotel in November 2009.

Cost of sales

Cost of sales of the Group represented primarily the costs incurred directly by the property development activities which included construction, decoration and design costs, land use rights cost and business taxes.

Cost of sales increased by 23.4% to approximately RMB7,776.5 million for the six months ended 30 June 2010 from approximately RMB6,304.2 million for the corresponding period in 2009. The increase in construction, decoration and design costs was in line with the increase in total sales of property.

Gross profit

Gross profit (before land appreciation tax provision) of the Group increased by 37.6% to approximately RMB3,989.2 million for the six months ended 30 June 2010 from approximately RMB2,898.7 million for the corresponding period in 2009. The gross margin for the six months ended 30 June 2010 increased to 33.9% from 31.5% for the corresponding period in 2009.

Other gains – net

Other gains – net of the Group increased by 204.0% to approximately RMB38.0 million of gain for the six months ended 30 June 2010 from approximately RMB12.5 million of gain for the corresponding period in 2009. It was mainly due to the gain of RMB35.2 million from the repurchase of convertible bond with carrying value of RMB2,339.0 million.

Selling and marketing costs

Selling and marketing costs of the Group increased by 158.9% to approximately RMB276.2 million for the six months ended 30 June 2010 from approximately RMB106.7 million for the corresponding period in 2009, which was primarily attributable to a 370.9% increase in advertisement expense from RMB23.7 million in the first half of 2009 to RMB111.6 million for the corresponding period in 2010. As the property market recovered since the second half of 2009, the Group launched heavy promotions to maintain its market share in the first half of 2010.

Administrative expenses

Administrative expenses of the Group increased by 13.1% to approximately RMB361.6 million for the six months ended 30 June 2010 from approximately RMB319.8 million for the corresponding period in 2009, primarily attributable to the expenses incurred for the issue of Senior Notes due

2017 and the amendment of terms of Senior Notes due 2014, amounting to RMB14.6 million. In addition, the Group's donation increased by 482.6% to approximately RMB13.4 million for the six months ended 30 June 2010 from approximately RMB2.3 million for the corresponding period in 2009.

Finance costs – net

Finance costs – net of the Group decreased by 71.6% to approximately RMB110.9 million for the six months ended 30 June 2010 from approximately RMB390.0 million for the corresponding period in 2009. The total interest expenses increased by 36.4% to approximately RMB652.5 million for the six months ended 30 June 2010 from approximately RMB478.4 million for the corresponding period in 2009. The capitalized interest cost increased by 593.4% to approximately RMB479.8 million for the six months ended 30 June 2010 from approximately RMB69.2 million for the corresponding period in 2009.

Fair value changes on derivative financial instruments

On 15 February 2008, the Company entered into a cash settled equity swap transaction (the "Equity Swap") with Merrill Lynch International for the Company's shares up to a value of US$250 million (equivalent to approximately HK$1,950 million). Under the Equity Swap, the Company receives a payment if the Final Price (as defined in the announcement of the Company dated 17 February 2008 (the "Announcement")) is higher than the Initial Price (as defined in the Announcement) and the Equity Swap Counterparty (as defined in the Announcement) receives a payment if the Final Price is lower than the Initial Price. The Initial Price will be determined in accordance with the formula sets out in the Equity Swap and the Final Price will be determined with reference to the arithmetic mean of the relevant prices of the Company's shares on specified averaging dates. Measured by the market price on 30 June 2010, the loss from the fair value change on the Equity Swap was approximately RMB190.6 million.

Profit attributable to the equity owners

Profit attributable to the equity owners (after adjustments for the fair value change of the Equity Swap and gain from partial repurchase of convertible bond) for the six months ended 30 June 2010 of the Group increased by 35.1% to approximately RMB1,918.9 million from approximately RMB1,420.2 million for the corresponding period in 2009. The net earning margin increased from 15.4% for the first half of 2009 to 16.3% for the corresponding period in 2010.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Cash position

The Group's cash and bank deposits (including the restricted cash) amounted to approximately RMB10,145.9 million as at 30 June 2010 (31 December 2009: approximately RMB8,424.0 million). As at 30 June 2010, 71.7% and 28.3% of the Group's cash and bank deposits were denominated in Renminbi and other currencies (mainly US dollars and HK dollars), respectively.

As at 30 June 2010, the carrying amount of the restricted cash was approximately RMB3,737.8 million (31 December 2009: approximately RMB3,815.3 million). Pursuant to relevant regulations, certain project companies were required to deposit a portion of proceeds from pre-sales of properties into special bank accounts. Before the completion of the pre-sold properties, the proceeds deposited in the escrow accounts could only be used for the restricted purposes of purchasing construction materials, equipments, making interim construction payments and paying tax, with the prior approval of the relevant local authorities. Additionally, the Group had approximately US$250.0 million (equivalent to approximately RMB1,697.7 million) deposit as collateral for the Equity Swap with Merrill Lynch International.

Net current assets and current ratio

The Group had net current assets of approximately RMB17,908.5 million as at 30 June 2010 (31 December 2009: approximately RMB16,278.0 million). The current ratio being current assets over current liabilities kept relatively stable as approximately 1.6 as at both 31 December 2009 and 30 June 2010.

Debt and charges on Group assets

The Group had an aggregated debt as at 30 June 2010 of approximately RMB18,998.3 million, including bank borrowings of approximately RMB10,633.9 million, convertible bond of approximately RMB2,062.2 million, and Senior Notes of approximately RMB6,302.2 million.

For borrowings, approximately RMB2,631.4 million will be repayable within 1 year, approximately RMB7,577.5 million will be repayable between 2 and 5 years and the remaining RMB425.0 million to be repayable within the future 5 to 10 years. As at 30 June 2010, the substantial part of the bank borrowings are secured by land use rights and properties of the Group and guaranteed by Group companies.

Gearing ratio

The gearing ratio is measured by the net debt (total debt net of disposable cash and cash equivalents) over the total capital and reserves attributable to equity owners. As at 30 June 2010, the gearing ratio was 48.1% (31 December 2009: 52.7%).

Interest rate risk

The weighted average interest rate of the Group's borrowing decreased to 5.65% in 2010 from 6.73% as at 31 December 2009. In addition, the Group issued a Senior Notes in the second half of 2009, whose interest rate is calculated by effective rate method. The effective annual interest rate is 12.11%. The Group issued another Senior Notes in the first half of 2010, whose interest rate is calculated by effective rate method. The effective annual interest rate is 11.81%. The Group has implemented certain measures to manage interest rate risk which includes, among others, close monitoring of interest rate movements and replacing and entering into new banking facilities when good pricing opportunities arise.

Risk of exchange rate fluctuation

The Group mainly operates in the PRC, so most of its revenue and expenses are measured in Renminbi. In the first half of 2010, the exchange rates of Renminbi to Hong Kong dollars and US dollars kept stable. For the six months ended 30 June 2010, there was an exchange gain of RMB14.0 million. The directors expect that any fluctuation of Renminbi's exchange rate will not have material adverse effect on the operation of the Group.

Land appreciation tax

According to relevant regulations and laws of the State Administration of Taxation ("SAT"), in the past, the Group has made full provision of land appreciation tax ("LAT") but paid provisional LAT calculated according to certain rates (varying from 0.5% to 3%) over sales amounts assessed by local tax bureau. For the six months ended 30 June 2010, the Group had LAT expenses of approximately RMB491.2 million. As by 30 June 2010, the Group had LAT provision balance of RMB1,540.0 million.

Contingent liability

As at 30 June 2010, the Group had some contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers and borrowings amounting to approximately RMB15,866.3 million (31 December 2009: approximately RMB13,540.3 million).

Of the contingent liability as at June 2010, RMB15,106.3 million represented the guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Of the amounts as at 30 June 2010, approximately RMB232.7 million (31 December 2009: approximately RMB256.4 million) was to be discharged two years from the day the mortgaged loans become due; and approximately RMB14,873.6 million (31 December 2009: approximately RMB13,283.9 million) was to be discharged upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loans by the purchasers of properties.

The Directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

In addition, of the contingent liability as at 30 June 2010, RMB760.0 million represented the guarantee provided to Guangzhou Li He Property Development Company Limited for its bank borrowings.

Capital and property development commitments

As at 30 June 2010, the capital commitments in connection with the property development activities amounted to approximately RMB10,809.4 million (31 December 2009: approximately RMB16,304.9 million). This amount is primarily arising from contracted construction fees or other capital commitments for future property developments. The Group expects to fund these commitments principally from pre-sale proceeds of the properties and partly from bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Group had approximately 30,342 full-time employees, which had increased by 828 from 29,514 as at 31 December 2009.

The remuneration package of the employees includes salary, bonus and other cash subsidies. The Company has designed an annual review system to assess the performance of the employees, which forms the basis of the determination on salary increase, bonus and promotion. The Group is subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, the Group is required to pay on behalf of the employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. The Group believes the salaries and benefits that the employees receive are competitive in comparison with market rates. The employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. The Group believes its relationship with the employees is good.

SUBSEQUENT EVENTS

In August 2010, the Company issued senior notes in an aggregate principal amount of US$400,000,000 (the "2015 Notes"). The 2015 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2015 Notes carry interest at the rate of 10.50% per annum, payable semi-annually on 11 February and 11 August in arrears, and will mature on 11 August 2015, unless redeemed earlier.

AUDIT COMMITTEE

The Audit Committee assists the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time. The members of the Audit Committee are all of the independent non-executive directors, namely Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald. Mr. LAI Ming, Joseph is the chairman of the Audit Committee.

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed, among other things, internal controls and financial reporting matters including a review of the unaudited interim results for the six months ended 30 June 2010. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim results for the six months ended 30 June 2010 in accordance with Hong Kong

Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as the code for dealing in securities of the Company by the directors. After specific enquiry, all directors of the Company confirmed that they have complied with the required standard of dealings set out therein for six months ended 30 June 2010. No incident of non-compliance was noted by the Company to date in 2010. Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code for the six months ended 30 June 2010.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2010, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in the Appendix 14 to the Listing Rules (the "Code"), except for the deviation from the code provision E.1.2 of the Code. Under the first part of code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. The chairman of the Board was unable to attend the annual general meeting of the Company held on 20 May 2010 (the "Meeting") due to another business engagement. Mr. CUI Jianbo, the then president and executive director of the Company, chaired the Meeting on behalf of the chairman of the Board and was available to answer questions.

SHARE OPTION SCHEME

On 20 March 2007, a share option scheme (the "Scheme") was adopted and approved by the then shareholders of the Company for a period of 10 years commencing on the adoption date. Since the adoption date, the Board may, at its discretion, grant share options to any eligible person to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the Scheme. No any share options have been granted since adoption.

EMPLOYEE INCENTIVE SCHEME

The Company proposed to set up an employee incentive scheme ("Employee Incentive Scheme") for the benefit of the senior management and employees of the Group which excludes any connected persons of the Company. The purpose of the Employee Incentive Scheme is to provide the participants with an opportunity to hold a personal stake in the Company so as to motivate such participants and to enhance performance and efficiency. The Company did not purchase any shares during the period for the purpose of the Employee Incentive Scheme. As at 30 June 2010, the cumulative total number of the shares purchased under the Employee Incentive Scheme were 82,092,000 shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2010, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the shares of the Company subject to those referred to under the section "Employee Incentive Scheme" in this announcement.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND OF THE COMPANY

The interim results announcement is published on the Company's website (http://www.countrygarden.com.cn) and the Stock Exchange's website (http://www.hkexnews.hk).

By Order of the Board
Country Garden Holdings Company Limited
MO Bin
President and Executive Director

Hong Kong, 24 August 2010

As at the date of this announcement, the executive directors of the Company are Mr. YEUNG Kwok Keung, Mr. MO Bin, Mr. CUI Jianbo, Ms. YANG Huiyan, Mr. YANG Erzhu, Mr. SU Rubo, Mr. ZHANG Yaoyuan, Mr. OU Xueming, Mr. YANG Zhicheng and Mr. YANG Yongchao. The independent non-executive directors of the Company are Mr. LAI Ming, Joseph, Mr. SHEK Lai Him, Abraham and Mr. TONG Wui Tung, Ronald.

http://www.countrygarden.com.cn